

Message Text

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ACTION PM-07

INFO OCT-01 EA-11 ISO-00 NSC-07 SP-03 SS-20 RSC-01 L-03

CIAE-00 INR-10 NSAE-00 ACDA-19 MC-02 AID-20 OMB-01

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R 140640Z MAY 74

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 3766

INFO SECDEF WASHDC

CINCPAC

S E C R E T SECTION 1 OF 2 SEOUL 3053/1

E.O. 11652: GDS

TAGS: MASS KS

SUBJECT: BACKGROUND ON ROK DEFENSE PROCUREMENT

1. THIS MESSAGE DESCRIBES SEVERAL ACTIONS WHICH HAVE TAKEN PLACE IN ROK DEFENSE PROCUREMENT DURING THE PAST FEW MONTHS, AND ATTEMPTS TO PUT THEM IN PERSPECTIVE, A DEFINITE CHANGE IN ROK NATIONAL POLICY HAS OCCURRED. WE HAVE BEEN EXPECTING SUCH A CHANGE FOR SOME TIME, BUT ROKG HAS NOW CLEARLY ACCELERATED ITS OWN PROCUREMENT PLANNING.

2. A NUMBER OF FACTORS APPEAR TO HAVE CAUSED ROKG TO EMBANK ON WHAT IS AN INCREASINGLY SELF-RELIANT DEFENSE PROCUREMENT POLICY;

A. THE HARD REALITY OF SIGNIFICANT REDUCTIONS IN FY 72 AND FY 73 MAP FUNDING BY THE US CONGRESS POOR PROSPECTS FOR FY 74, AND OUR STATEMENT AT THE SEPTEMBER 1973 THAT THE ROKS WILL HAVE TO SHARE COSTS OF COMPLETING THE ROK FORCE MOD PLAN.

B. THE JOINT ROK-US AD HOC COMMITTEE ESTABLISHED BY THE 1973 SCM TO REVIEW THE ROK

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FORCE MODERNIZATION PROGRAM FORCED ROK SERVICES,

JCS, AND MND TO FOCUS ON FUTURE FORCE REQUIREMENTS, TO DEVELOP LISTS OF REQUIREMENTS BY SERVICE, AND THEN TO INTEGRATE THESE LISTINGS INTO ONE OVERALL REQUIREMENT LIST. THIS CONSOLIDATED LIST COSTS OUT AT ABOUT \$1.8 BILLION. ROKG IS COMPLETELY AWARE WE WILL NOT FUND ANYTHING LIKE THOSE LEVELS.

C. THE CONTINUED GROWTH OF THE ROK ECONOMY HAS REACHED A POINT WHICH SUPPORTS CONFIDENCE IN THE NATION'S ABILITY TO ASSUME THE MAJOR PORTION OF ITS DEFENSE BURDEN. (WE HAVE STATED REPEATEDLY OVER THE PAST TWO YEARS -- MOST RECENTLY IN THE NOVEMBER 1973 SUBMISSION OF FY 75-79 POM AND AGAIN IN THE MARCH 1974 SUBMISSION OF FY 76-80 POM -- THAT THE ROK ECONOMY IS CAPABLE OF SUPPORTING SIGNIFICANT INCREASES IN THEIR DEFENSE EXPENDITURES WITHOUT ADVERSELY AFFECTING PLANNED GROWTH RATES.)

3. THE ABOVE ARE BACKGROUND TO EVENTS WHICH HAVE BEEN TAKING PLACE IN THE ROK DEFENSE PROCUREMENT FIELD DURING THE PAST SEVERAL MONTHS. THESE ARE:

A. ROK REPRESENTATIVES (CIVILIAN AND MILITARY) ARE TRAVELING TO THE US AND THIRD COUNTRIES TO SHOP FOR MILITARY HARDWARE, AND DIRECT CORRESPONDENCE BETWEEN MND AND THE BLUE HOUSE AND FREE WORLD ARMS MANUFACTURERS HAS INCREASED.

B. THERE IS INCREASED ROK PRESSURE TO BE ALLOWED TO ACQUIRE, AS SOON AS POSSIBLE, MILITARY HARDWARE WHICH THEY BELIEVE WOULD ENABLE THEM TO COPE WITH WHAT THEY SEE AS THE THREAT IN THE NW SEAS: E.G., PSMM, CPIC, HARPOON, AND STANDARD ARM. IN THE CASE OF THE LATTER TWO SYSTEMS, THE ROKS HAVE INDICATED THAT THEY ARE PREPARED TO PAY CASH TO EXPEDITE PROCUREMENT -- A FIRST IN OUR DEALINGS WITH THEM.

C. THE KOREANS DESIRE AND INSIST ON ACQUIRING ADDITIONAL F4E AIRCRAFT, AS OPPOSED TO ADDITIONAL F5E

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AIRCRAFT, EVEN TO THE POINT OF INDICATING A WILLINGNESS TO PAY PART OF THE COSTS IN CASH, AND THE REST IN FMS CREDITS.

D. THE BLUE HOUSE HAS BEEN DEALING WITH LTV REGARDING ACQUISITION OF EIGHT A-7 AIRCRAFT FOR CASH AND EARLY DELIVERY (SEE SEOUL 2670). ALTHOUGH THE A-7S WERE INITIALLY BILLED TO US AS COUNTER

TO OSA-KOMAR SYSTEMS, INFORMAL CONTACTS WITH ROK JCS REVEAL THAT THEY WOULD BE PART OF A LONGER RANGE PLAN TO ESTABLISH A NAVAL AIR ARM BY THE LATE 1970'S.

E. MND SUH CLEARED FOR PRESENTATION TO THE JUSMAG-K STAFF ON 23 APRIL 74 THE ROK VERSION OF A FY 75-80 FMS CREDIT POM. THIS ROK POM INCLUDES FMS CREDIT REQUESTS FOR \$737 MILLION OVER THE SIX YEARS INVOLVED, AND DETAILS BY SYSTEM ROK CREDIT REQUIREMENTS FOR EACH YEAR. THE FACT THAT FY'S 75-77 CALL FOR HIGH LEVELS OF CREDIT -- \$183 MILLION, \$175 MILLION AND \$189 MILLION -- SUPPORTS OUR VIEW THAT THE ROKG HAS ACCEPTED LIKELY END OF SUBSTANTIAL GRANT ASSISTANCE IN NEAR TERM AND HAS DECIDED TO CONCENTRATE ON FMS CREDIT.

F. AN MND LETTER WAS RECEIVED BY JUSMAG-K ON MAY 2 REQUESTING PRICE AND EARLIEST AVAILABILITY DATA ON TANK FIRING DEVICES, TWO ADDITIONAL COMPANIES OF TOW, AND EIGHT COBRA ARMED HELICOPTERS. OF SIGNIFICANCE IS THE FACT THAT THE AFOREMENTIONED ITEMS ARE ALL BEING CONSIDERED FOR FMS CASH PURCHASE EVEN THOUGH THE KOREANS KNOW THE TOW FMS CREDIT CASE FOR FY 74 HAS BEEN INCREASED FROM TWO COMPANIES TO ABOUT THREE AND ONE-HALF COMPANIES. THEY ARE ALSO AWARE OF THE FACT THAT TOW IS HIGH ON THE PRIORITY LIST FOR FMS CREDIT IN FY 75 AND THAT WE HAD TENTATIVELY PLANNED TO ACQUIRE THE EIGHT COBRAS THROUGH GRANT AID --CONGRESSIONAL FUNDING PERMITTING.

G. DURING THE WEEK OF 29 APRIL 74, CHIEF JUSMAG-K WAS INFORMED BY THE ROK ASSISTANT MINISTER FOR LOGISTICS AND INSTALLATIONS THAT THE KOREANS WERE IN SECRET

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THE PROCESS OF DECIDING WHICH NAVAL SURFACE-TO-SURFACE MISSILE SYSTEM THEY WOULD PURCHASE AS AN INTERIM MEASURE UNTIL THE HARPOON WAS AVAILABLE; STANDARD ARM, GABRIEL, OR EXOCET. DURING THESE SAME DISCUSSIONS, CHIEF JUSMAG-K WAS ADVISED THAT THE ROK HAD A TEAM OF FOUR EXPERTS IN SWITZERLAND

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INVESTIGATING THE POSSIBILITY OF PURCHASING 12 OERLIKON AA GUNS. THIS PURCHASE WOULD BE FOR THE PRUPOSE OF DETERMINING ROK CAPABILITY TO MANUFACTURE THE WEAPONS IN-COUNTRY AS JAPAN HAS DONE. THE OERLIKON AA GUNS WOULD BE SUPPLEMENTAL TO OTHER AA WEAPONS IN THEIR INVENTORY, AND WERE CHOSEN IN PLACE OF THE CHAPPARAL SYSTEM WHICH THE ROKS CONSIDER TO BE TOO EXPENSIVE AND NOT SUITED TO THEIR NEEDS. (MND TRIED TO SECURE OUR APPROVAL FOR THIRD-COUNTRY PURCHASE. JUSMAG CHIEF DID NOT GIVE SUCH APPROVAL).

4. THERE IS MOUNTING EVIDENCE THAT PRESIDENT PARK IS TAKING AN INCREASING DIRECT PERSONAL INTEREST IN DEFENSE WEAPONS PROCUREMENT PLANNING AND DECISIONS. ONE MAJOR INDICATION WAS THE FEBRUARY BRIEF AND DISCUSSIONS WITH PRESIDENT PARK ON THE EIGHT-YEAR DEFENSE PLAN WHICH, THOUGH SCHEDULED FOR ONLY THREE HOURS, LASTED EIGHT HOURS. SINCE THE FEBRUARY PRESENTATION TO PRESIDENT PARK (#) LONGER SEEM TO BE UNSURMOUNTABLE OBSTACLE TO MND PROCUREMENT NEEDS. AND IN SOME CASES MND AND JCS HAVE BEEN TOTALLY UNAWARE OF BLUE HOUSE INITIATED AND CONDUCTED CORRESPONDENCE WITH ARMS
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MERCHANTS.

5. A CAMPAIGN TO SECURE DONATIONS FOR DEFENSE WAS

OPENED TO THE GEENERAL PUBLIC SOME TIME IN EARLY MARCH. PARTICULAR FOCUS OFGOVERNMENT EFFORTS HAVE BEEN MAJOR BUSINESSMEN WHO ARE CONTRIBUTING SIGNIFICANT SUMS. CAMPAIGN HAS BEEN RECEIVING WIDESPREAD PUBLICITY IN THE LOCAL PRESS, RADIO AND TV. WHILE IT IS DIFFICULT TO ESTIMATE THE AMOUNTS BEING REALIZED, DAILY NOTICES HAVE APPEARED IN THE PRESS REPORTING AMOUNTS RECEIVED THE PREVIOUS DAY IN EXCESS OF \$125,000. ONE ESTIMATE IS THAT THIS CAMPAIGN WILL NET THE ROK UP TO \$10 MILLION FOR DEFENSE.

6. THE CONCLUSIONS DRAWN FROM THESE FACTORS AND EVENTS ARE AS FOLLOWS:

A. THE ROK HAS ACCEPTED THE REALITIES OF DRASTICALLY REDUCED MAP FUNDING AND RECOGNIZES THAT IT WILL IN FACT HAVE TO BEAR ITS OWN DEFENSE PROCUREMENT COSTS NOW.

B. HAVING ACCEPTED THESE REALITIES, THE ROKG IS RAPIDLY ADJUSTING ITS PRIORITIES TO ACCOMMODATE INCREASED DEFENSE PROCUREMENT EXPENDITRUES.

C. THE ROK HAS DEVELOPED A LONG-RANGE DEFENSE PROCUREMENT PLAN AND IS WASTING NO TIME IN INITIATING ITS EXECUTION.

D. US ABILITY TO DIRECT ROK MILITARY PRO-CUREMENT HAS BEEN DRASTICALLY REDUCED NOW THAT ROKG IS ACCEPTING RESPONSIBILITY FOR FUNDING THEIR OWN DEFENSE.

E. WHILE THE KOREANS GENERALLY STILL ASK FOR OUR ADVICE, THEY ARE BECOMING INCREASINGLY INDEPENDENT ABOUT ACCEPTING IT.

F. THEY ARE ALSO BECOMING LESS DEFENSIVE ABOUT THEIR CONTACTS WITH THIRD COUNTRIES ON PROSPECTIVE ARMS PURCHASES.

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7. NONE OF ABOVE DEVELOPMENTS ARE UNEXPECTED, AND WE HAVE POINTED OUT IN PREVIOUS REPORTING INCREASING ABILITY POINTED OUT IN PREVIOUS REPORTING INCREASING ABILITY OF ROKG TO BEAR ITS OWN DEFENSE COSTS AS WELL AS LIKELY INCREASING INDEPENDENCE OF ROKG PROCUREMENT PLANNING AND DECISION MAKING AS IT DOES BEGIN TO PICK UP COSTS. IN FACT, THE ROKG, REACTING TO POOR PROSPECTS FOR MAP FUNDING,IS MOVING ALONG PREDICTABLE LINES, BUT AT A QUICKENED PACE.

8. WE ARE IN PRCESS OF PREPARING MESSAGE FURTHER
ASSESSING POLICY IMPLICATIONS ABOVE DEVELOPMENTS,
PARTICULARLY IN TERMS OF FORTHCOMING SCM.
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